

Grower Update – 26 April 2013 (Revised 30 April 2013)

Gunns Plantations Limited ACN 091 232 209
(Receivers and Managers Appointed)(In Liquidation) (GPL)

This update relates to Great Southern Plantations Schemes 1998 – 2006
(GSP Schemes)
(Excludes the Gunns Plantations Woodlot Schemes)

Dear Growers of the GSP Schemes

This communication updates you on recent developments as follows:

- Strategy to pursue a sale of Grower assets of the GSP Schemes via a Supreme Court of Victoria (**the Court**) approved sale process
- Why the alternate responsible entity (**Alternate RE**) process is considered to be no longer in the interests of Growers
- What this means for Growers of GSP Schemes
- Next update timing
- Contact details for questions
- Frequently asked questions relating to GSP Schemes

We encourage you to refer to the Creditor Information section of the PPB Advisory website at www.ppbadvisory.com for any future updates.

Strategy to pursue a sale of GSP Schemes Grower assets via a Court approved sale process

Shortly after our appointment as Administrators we commenced a program to seek interest from parties to become the Alternate RE of the GSP Schemes. Over the last five months, we have been working with a party in relation to some, but not all, of the GSP Schemes (**Nominated Schemes**).

The Liquidators have now formed the view that a Court approved sale process is in the best interests of GSP Schemes Growers and will now cease further work in relation to the Alternate RE process.

Under this process the assets of the GSP Schemes will be sold in a competitive and orderly manner, under a Court approved process, with net proceeds referable to the Scheme assets returned to Growers.

Why the Alternate RE process is considered to be no longer in the interests of Growers

GSP Schemes Grower groups now support a sale of GSP Scheme assets

A number of GSP Schemes Grower groups now support a sale of GSP Scheme assets GSP Scheme Grower groups (including the holder of a significant interest in a number of the GSP Schemes) have recently indicated a preference for a sale of GSP Schemes assets rather than continuing with the Alternate RE process.

We understand that the Save My Trees growers group remains hopeful that the Alternate RE process will continue in some form and remains in contact with parties that have expressed an interest in becoming the alternate RE. We will continue to provide updates for material developments.

Without majority GSP Schemes Grower group support for the Alternate RE process, the likelihood of the voting thresholds required to implement the Alternate RE proposal, including the proposed changes the constitutions and the appointment of an Alternate RE, being achieved are low for the majority of the GSP Schemes.

Alternate RE process timing and impact to the assets of the GSP Schemes

Given the significant amount of time which has already been invested in the Alternate RE process and the lack of progress and ongoing uncertainty in relation to the Alternate RE process as it relates to the GSP Schemes, we believe it is in the best interest of GSP Scheme Growers to be provided with an alternative option in the form of a Court approved sale process.

The Liquidators are also concerned with the time necessary to complete the Alternate RE process compared to the time necessary to achieve a sale of assets of the Schemes pursuant to a Court approved POS given that the time delays may have a material effect on the assets of the GSP Schemes in terms of:

- a. ongoing costs
- b. risk of further default or termination of various agreements (including leases, forestry rights deeds, maintenance arrangements and certification)
- c. leaving the incumbent RE in an unfunded position in the interim, which may render the RE unable to perform necessary maintenance prior to and during the next fire season

What this means for GSP Scheme Growers

The Liquidators will lodge an application to seek the Court's approval for the inclusion of a power of sale in the constitutions of the GSP Schemes to enable the Liquidators to conduct a Court approved sale process of GSP Scheme assets. Growers will have the opportunity to apply to be heard and present any objections at the hearing of the Court application.

If the application is successful, a sale campaign will be conducted. Any proposed sale will be subject to Court approval. Again, Growers will be able to apply to be heard and object at the hearing of the application for approval.

We will keep Growers informed of the dates of any Court hearing and any other developments. It is our expectation that, once the Court application for a power of sale has been granted, a sale process could take around 3 to 4 months to complete.

Next update timing

We will post further updates on our website at www.ppbadvisory.com over the coming weeks and will advise GSP Schemes Growers on or around Friday 3 May 2013 of the progress of the Liquidators' power of sale application to the Court and the sale process.

Who do I contact with any queries?

| Contact | Phone Number | Email Address |
|---------------------|----------------|------------------------------------------------------------------------------------|
| GPL Client Services | (03) 6335 5290 | gunns.plantations@gunns.com.au |
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Daniel Bryant
Liquidator of Gunns Plantations Limited

Frequently asked questions relating to GSP Schemes

1. What Schemes does this update relate to?

The update only relates to the GSP Schemes 1998-2006.

2. How is a Court approved sale process different to the Alternate RE process?

There are a number of differences between the two approaches including:

- The Liquidators will market scheme assets for sale now, via a Court approved process, and subject to orders of the Court, distribute the net proceeds to Growers in accordance with their interests.
- The Alternate RE approach was for a new RE to be appointed, for a restructure of the Nominated Schemes to occur and for scheme assets to be sold in a timeframe determined by the Alternate RE (or its advisers).

3. When will the court application be made?

The Liquidators will apply to the Supreme Court of Victoria (**the Court**) for a power of sale to be included in the GSP Scheme constitutions on 26 April 2013. The Court will then set a hearing date. We will provide an update to affected Growers once we have the hearing date confirmed.

4. How will a sale process work and how long will it take?

A sale process will likely take up to 3 to 4 months and will commence if the Court application for a power of sale has been granted.

Stakeholders will have the opportunity to apply to the Court to be heard and present any objections at the hearing.

5. How will the Liquidators determine my entitlement to sale proceeds?

In simple terms, the net proceeds referable to the Scheme assets obtained from the Court approved sale process will be available to Growers once any legally asserted liens have been accounted for.

Lien examples may include:

- Administrators and Liquidators' fees and disbursements
- maintenance and operational costs
- legal costs

The Liquidators will seek the guidance of the Court in respect of these liens. If a Grower has a loan in respect of their GSP Schemes interest or has granted a security interest in respect of their interest, the proceeds returned to the Grower may also be subject to the terms of that loan agreement or security interest.

6. Who are the potential buyers of the trees of the GSP Schemes?

There are a number of large national and international corporations that have expressed interest in the assets of the GSP Schemes.

7. Are trees of the GSP Schemes continuing to be maintained during the sale process?

The Administrators entered an agreement with the Receivers covering fire maintenance and suppression services, regulatory compliance services and general forestry management services. This agreement covers all land used for the GSP Schemes in Tasmania and mainland states in respect of which peppercorn leases are in place. These maintenance arrangements continue to remain in place.

8. Can an alternative RE still provide a proposal to the Growers to become the alternate RE for the GSP Schemes?

Yes. A party interested in becoming the RE may continue to work up a proposal for the Growers to become the alternate RE. At this stage, for the reasons set out above and to avoid the administration incurring further costs, any future alternate RE proposal will have to be put to Growers without the assistance of the incumbent RE. We will keep you informed of any developments.